

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 2/28/2020

Employer Identification Number:

Date: December 4, 2019

Contact person - ID number:

Contact telephone number:

LEGEND
x dollars = amount

UIL
4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code (IRC) Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in IRC Section 117(b)).

Description of your request

Your purpose is to nurture the educational and social development of underserved children through robust, socially responsible music education programs. Your letter indicates that you will operate a program that provides college assistance scholarships to student participants in the over 200 non-profit programs you support on an annual basis.

The scholarship, which will cover expenses associated with college attendance such as tuition, books, supplies, and equipment, is designed to encourage high-need students who participate in the non-profit music education programs you support to attend college.

To qualify, an eligible student must be nominated by one of the grantee music programs that you support. A grantee music program wishing to nominate a student must be a

community non-profit that has been in operation for at least four years and provides music instruction at least twice per week to needy students for at least 30 weeks per year for free or at an affordable rate. They must also have been one of your grantees for at least two years.

To be eligible for nomination by a grantee music program, a student must be actively enrolled in that program for at least three years, be in good standing (i.e., no attendance or behavioral issues), and must apply to and be accepted to a higher learning institution. In addition, a student must have a strong financial need which can be demonstrated by being enrolled in a free or reduced lunch program at their school.

You will invite eligible nominated students to apply. Final selection of award recipients is based on an application, letters of recommendation from instructors, a school transcript, and an interview conducted by your selection committee, which will prioritize highly motivated students with a strong financial need and a desire to mentor and give back to the community.

Your selection committee consists of _____ of your officers and _____ members of your board of trustees. Committee members are selected based on interest and past and direct experience dealing with non-profit music education programs and music education students. Each year at your annual board meeting, committee members have the opportunity to either re-commit or step down and be replaced if they are unable to continue to serve.

You will publicize the program through your website and social media accounts. In addition, you will communicate via email and phone on a regular basis with your grantee organizations to identify potential applicants.

Scholarship recipients will receive x dollars per semester for four years (or the length of their college tenure) and do not have to declare music as a major or minor. The number of scholarships made annually will be determined by your board of directors based on the value of the investment fund dedicated to the program with a goal of 10 scholarships per year.

Recipients are required to show proof of enrollment in the higher institution that they have chosen to attend, complete at least 12 units each semester/quarter, maintain a 2.5 grade point average, and commit to giving back to their local community program when possible as a student mentor.

Your scholarship recipient coordinator will be responsible for communicating with recipients and their families to ensure that all requirements are met, monitoring progress of current award recipients, and maintaining detailed case histories on each recipient. The coordinator will remind recipients to submit all necessary information on time and will work through any issues the recipient has. If issues with a recipient cannot be resolved or the recipient violates the terms of the scholarship, the scholarship will be terminated.

You represented that you will:

- arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded;
- investigate diversions of funds from their intended purposes; and
- take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You also represented that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements